

Message Text

UNCLASSIFIED

PAGE 01 BONN 16374 171825Z

60

ACTION AGR-08

INFO OCT-01 EUR-08 ISO-00 SWF-01 AID-05 CEA-01 CIAE-00

COME-00 EB-04 FRB-01 INR-05 NSAE-00 RSC-01 CIEP-01

SP-02 STR-01 TRSE-00 LAB-01 SIL-01 SAM-01 OMB-01

DRC-01 /044 W

----- 025611

R 171817Z OCT 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5708

UNCLAS BONN 16374

DEPARTMENT PASS AGRICULTURE FOR GOODMAN AND FRASER

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: THE GERMANS LOOK AT THE CAP

1. BEGIN SUMMARY: THE FRANKFURTER ALLGEMEINE REPORTED ON OCTOBER 17 ON AN INTERNAL STUDY ORDERED BY CHANCELLOR SCHMIDT CONCERNING A REEVALUATION OF THE PRESENT EC AGRICULTURAL POLICIES. THE STUDY WAS PREPARED BY UNDER SECRETARY SCHLECHT OF THE MINISTRY OF ECONOMICS. THE STUDY CONCLUDED THAT THE PRESENT CAP HAS BEEN UNSUCCESSFUL IN REDUCING THE DISPARITY BETWEEN HIGH AND LOW INCOME FARMERS, HAS NOT RECOGNIZED DIFFERENCES IN PRODUCTION COSTS IN THE SEVERAL MEMBER STATES, HAS CREATED BURDENSOME SUPPLIES WHICH HAVE BEEN DUMPED ON THE WORLD MARKET WHICH HAS CREATED PROBLEMS IN THE WORLD MARKET FOR TRADITIONAL SUPPLIERS. THE STUDY ADVOCATES A MODIFIED DEFICIENCY PAYMENT PROGRAM BASED ON MARKET-ORIENTED PRICES. THE STUDY ALSO CONCLUDED THAT THE FRENCH HAVE GAINED BOTH FROM THE INDUSTRIAL AS WELL AS THE AGRICULTURAL SIDE BY MEMBERSHIP IN THE COMMUNITY MORE THAN HAVE THE GERMANS, AND THAT THE BURDEN OF THE BUDGET COST OF THE CAP HAS BEEN CARRIED MAINLY BY THE FRG. END SUMMARY

UNCLASSIFIED

PAGE 02 BONN 16374 171825Z

MARY.

2. THE STUDY CONCLUDED THAT THE PRESENT CAP WAS UNSUCCESSFUL IN DIMINISHING THE DISPARITY WITHIN AGRICULTURE BETWEEN HIGH AND LOW INCOME FARMERS. THE PRESENT PROGRAM OF ACROSS THE BOARD PRICE SUPPORTS HAS NOT TAKEN INTO CONSIDERATION THE DIFFERENCES IN PRODUCTION COSTS IN THE SEVERAL MEMBER STATES. THE RESULT OF THIS PROGRAM OF HIGH PRICE SUPPORTS HAS BEEN THE CREATION OF AGRICULTURAL SURPLUSES. IN ORDER TO RELIEVE THE PRESSURE OF THESE SURPLUSES ON THE EC MARKET, THEY HAVE BEEN DUMPED ONTO THE WORLD MARKET. THIS DUMPING OF SURPLUSES HAS CREATED INTERNATIONAL PROBLEMS FOR THE COMMUNITY WITH TRADITIONAL EXPORTING COUNTRIES.

3. IN ORDER TO REMEDY THIS SITUATION, THE STUDY PROPOSED A RADICAL CHANGE IN THE CAP. IT PROPOSED A MODIFIED DEFICIENCY PAYMENT PROGRAM TO FARMERS. IN ORDER FOR THIS PROGRAM TO BE EFFECTIVE, SUPPORT PRICES WOULD HAVE TO BE ORIENTED TOWARDS MARKET DEMANDS. IN THIS WAY, THE COST OF THE DEFICIENCY PAYMENTS COULD BE EXPECTED TO BE MINIMIZED.

4. THE ORIGINAL IDEA OF THE EC-CAP WAS THAT THE FRENCH WOULD GAIN AGRICULTURAL MARKETS WITHIN THE COMMUNITY AND GERMANY WOULD GAIN INDUSTRIAL EXPORT MARKETS. HOWEVER, THE STUDY HAS INDICATED THAT THIS HAS IN FACT NOT HAPPENED. APPARENTLY FRENCH INDUSTRIAL EXPORTS HAVE INCREASED TO MEMBER STATES FASTER THAN HAVE GERMAN INDUSTRIAL EXPORTS. ON THIS BASIS, THE STUDY CONCLUDED THAT THE FRENCH HAVE INDEED BEEN A MAJOR BENEFICIARY OF THE EUROPEAN COMMUNITY. THE STUDY ALSO POINTED OUT THAT FRANCE IS THE SECOND LARGEST BENEFICIARY FROM THE EC GUARANTEE FUND WHILE THE FRG IS THE LARGEST NET CONTRIBUTOR TO THAT FUND. IT WAS ESTIMATED THAT FOR EVERY ONE PERCENT ACROSS THE BOARD INCREASE IN CAP PRICES, THE BUDGET COST WOULD INCREASE BY 240 MILLION DEUTSCHE MARK. THE STUDY CONCLUDED THAT A DEFICIENCY PAYMENT PROGRAM COULD SUBSTANTIALLY REDUCE THE COST OF THE CAP WITHOUT REDUCING FARM INCOMES.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 16374 171825Z

5. COMMENT. WHILE THERE HAS BEEN AS YET NO PUBLIC CONFIRMATION OF THIS REPORT, OUR GOVERNMENT SOURCES HAVE ACKNOWLEDGED ITS ACCURACY.
HILLENBRAND

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CAP, POLICIES, AGRICULTURAL PRODUCTION, AGRICULTURAL WORKERS, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN16374
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740296-0312
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741040/aaaabhzu.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 11 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 MAR 2002 by chappeld>; APPROVED <10 FEB 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THE GERMANS LOOK AT THE CAP
TAGS: EAGR, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005